



# Rolling blackouts back!

## Rolling Blackouts Hit State

The managers of the state power grid issued a Stage 3 alert Monday and ordered rolling blackouts for the first time since January, from Beverly Hills to Northern California.

The California Independent System Operator, blaming higher demand and a lack of electricity from the Northwest -- as well as the lack of available energy from California QFs and two other large generators -- ordered the state's two biggest utilities to cut a total of 500 megawatts, enough power for roughly 500,000 homes. The outages were split between Northern and Southern California, said ISO spokeswoman Stephanie McCorkle.

SoCal Edison ordered blackouts in the Los Angeles-area cities of Chino, Beverly Hills, Long Beach, Visalia, Banning, Kern and Santa Monica. The Sacramento area experienced blackouts and PG&E spokesman Ron Low said the San Francisco-based utility was ordered to cut 196 megawatts for one hour at noon. He said it would affect about 105,000 customers. The ISO says that over 12,000 megawatts are off-line.

These are the first blackouts since Jan. 17 and 18.

## Bush: "No short-term solution"

At a brief press conference today, President George W. Bush commented that, "Demand has been increasing faster than production. There are no short-term fixes. The solution requires long-term thinking and development of a plan, but it will take time to bring it to fruition.

"We need conservation, but we also need exploration and a good foreign policy. We must work closely with our neighbors to the north and south to increase supply," Bush said.

He said that, at Governor Davis' urging, his administration has expedited the permitting of power plant siting "to get more speedily built plants."

He said he has had good discussions with Mexico. "The question is if they will allow foreign capital into Mexico to explore for natural gas and oil in their country. That's their country's choice. I've encouraged President Fox to accept foreign capital to explore for natural gas in California.

Bush said the administration was having similar discussions with Canada.

## Abraham sees nation threatened by energy crisis

Energy Secretary Spencer Abraham said Monday the country is facing the most serious energy shortages since the 1970s. Without a solution, he said, the energy crisis will threaten prosperity and national security and change the way Americans live.

Abraham, in a speech hours before a special energy task force was to make recommendations to President Bush, said California's power problems are neither isolated nor temporary and could spread to other parts of the country, including the Northeast.

"The power crisis isn't just pinching our wallets, it's changing the way we live our lives," Abraham said in a speech described by aides as his most comprehensive assessment of the country's energy concerns since becoming energy secretary.

Abraham said the demand for energy "is rising across the board" but particularly for natural gas and electricity. As he spoke, the Energy Department also was raising concern of possible gasoline price spikes this summer.

The department said both crude-oil inventories and gasoline stocks are 6 percent to 7 percent lower than what they traditionally have been this time of year.

The estimates came even before calculation of the potential impact of a decision last week by the Organization of Petroleum Exporting Countries to lower production by 1 million barrels a day.

At the White House, spokesman Ari Fleischer said Abraham had communicated with OPEC members before the production cut was made.

Spokesman Ari Fleischer said President Bush is focused on long-term strategies. "While we can encourage and should encourage conservation, the most realistic approach our nation can take, in the president's opinion, is to increase supplies of energy."

Abraham, addressing an energy conference sponsored by the U.S. Chamber of Commerce, said the administration is determined to pursue "a rational balance between our energy needs and our environmental concerns."

He gave no details about the proposals expected to be presented to Bush by the energy task force headed by Vice

President Dick Cheney. He said the administration's policy "will stress the need to diversify America's energy supply."

Abraham said it is a myth that oil companies and power companies are "engaged in a massive conspiracy to gouge consumers."

"There is no magic source of supply, no hidden pool of energy that can be turned on and off like a faucet," he declared.

Energy analysts are concerned that this summer will bring not only another round of power blackouts in California and possibly other states, as well as increases in the cost of not only electricity, but also gasoline during the peak summer driving season.

### **Peace seeks to limit DWR's power to keep spending**

If the chair of the state's budget committee has his way, the California Department of Water Resources will no longer be allowed to dip into the state's General Fund to borrow money to buy electricity for the state.

Sen. Steve Peace said in a letter to Finance Director Tim Gage that the budget committee will deny further requests for state funds to buy electricity unless state regulators immediately carve out a revenue stream to allow the Department of Water Resources to recover the money.

Legislative sources suggested that the Budget Committee does not have the authority to reject DWR requests – that they are in fact not requests but simple notifications. An opinion on this matter is being sought from the Office of Legislative Counsel.

In a copy of the letter, Peace, D-El Cajon, said that he is "concerned about the prospect of continuing to approve deficiency requests for electricity purchases...in the absence of any discernible progress by the California Public Utilities Commission to provide for the recovery of these funds."

A PUC Administrative Law Judge was expected to release guidelines Friday on the size of rate revenues that the DWR must collect from the state's three investor-owned utilities.

The guidelines were not released as of late Friday, and a spokeswoman for PUC President Loretta Lynch said she did not know the reason behind the delay.

PUC Commissioner Richard Bilas said the commission is expected to discuss at its March 27 meeting exactly how much money the DWR will receive from PG&E Corp., Edison International and Sempra Energy, parent company of San Diego Gas & Electric.

Last Friday, the DWR secured another \$500 million from the state to buy power. The state has authorized \$3.7 billion to purchase wholesale electricity and has already burned through more than \$3 billion, spending upwards of \$50 million a day on electricity in the volatile spot market.

AB1X, the legislation that authorized the DWR to purchase the state's bulk power needs on behalf of the cash-strapped utilities, also authorized the state to issue \$10 billion in revenue bonds to finance the long-term power supply contracts the DWR has entered into with generators. But first, the PUC must carve out a revenue stream for the DWR before the bonds can be issued.

State Treasurer Phil Angelides said that the \$10 billion will finance wholesale power purchases through September if the average price for power paid since January, when the

DWR first began buying electricity in the spot market, is \$250 a megawatt-hour.

However, California has paid well above \$300/MWh average in January and about \$228/MWh at the end of February, Gov. Gray Davis said recently.

The PUC approved a measure last week that allows the DWR to recover all of the money it spends on power, even if it means raising electricity rates.

Peace, one of the lawmakers who helped push through the state's deregulation law, said in the letter that he will meet with the Joint Legislative Budget Committee on a daily basis "for the purpose of denying any such future deficiency requests unless immediate actions are taken to resolve this situation."

### **Off line plants haven't been paid**

About 3,000 MW of California's small power plants are off line Monday because they haven't been paid hundreds of millions of dollars by two of the state's largest utilities and can no longer afford to buy fuel to run their units, the state's grid operator said. The 3,000 MW of the state's so-called qualifying facilities represent 10% of the state's peak load. The outages increase the chances of rolling blackouts and a major electricity shortage this summer.

### **Water and energy costs**

A cash shortage brought on by the energy crisis could raise the price farmers and residential users pay this spring for valuable Sierra snowmelt unless millions of dollars are repaid to the state agency that manages the water. The state Department of Water Resources is projecting that the account it uses to pay for operating the pumps, canals and reservoirs that form the plumbing for the State Water Project will be short \$38 million by the end of this month. Water users such as farmers in Kings and Kern counties and agencies that supply residents in Southern California are scrambling to come up with ways to cover the shortfall if the Legislature doesn't act swiftly.

### **Jerry Brown's cousin approved as PUC member**

Gov. Gray Davis' appointment of former San Francisco Public Defender Geoffrey Brown to the Public Utilities Commission was approved Monday by the state Senate.

Brown, 57, the first cousin of former governor and Oakland Mayor Jerry Brown, headed the public defender's office from 1979 until he was named by Davis to the PUC in January.

The five-member commission regulates privately owned utilities and companies involved in intrastate commerce. Members are paid \$114,191 a year.

### **Utility funds for public housing costs**

The federal government will give \$50 million to public housing authorities in Los Angeles and nine other cities across the country to help them pay utility bills that have soared because of rising power costs and unusually cold winter weather. The emergency relief effort, to be announced today, also will provide \$55 million to help the nation's other 3,100 public housing agencies pay utility bills that exceeded their budgets.